

EXECUTIVE SUMMARY

The Health and Human Services Commission (HHSC) Office of Inspector General (OIG), Audit Section, has completed its performance audit of Texas Pregnancy Care Network (TPCN).

Results (*Statement of Findings*)

We noted that TPCN can more clearly define and quantify its objectives and deliverables regarding its contract with HHSC. We also noted two instances of non compliance with travel policies as published in the Texas Health and Human Services Travel Policies and Procedures as interim published in 2005. These matters are discussed in further detail in the Detailed Findings and Recommendations section of this report.

Objective (*Subject*)

The objectives of the audit were to determine if TPCN complied with the terms and conditions contained within its contract with the HHSC, Office of Community Access & Services (HHSC-CAS) for implementation of the Texas Alternatives to Abortion program and to address concerns contained in a constituent letter dated May 10, 2012.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Background

In accordance with Section 50 Special Provisions Article II, S.B. 1 79th Texas Regular Legislative Session, HHSC entered into a contract with TPCN to fulfill the following objectives:

1. Specify and develop a program of coordinated services and supports for female expectant mothers, including expectant mothers who are undecided and who are considering alternatives to abortion in a secure, healthy and nurturing environment;
2. Identify and enable the participation of skilled, qualified providers of such services;
3. Implement and administer the program on a statewide basis;
4. Ensure vendor and provider accountability and consumer satisfaction;
5. Develop a flexible and responsive relationship with HHSC to achieve these mission objectives; and
6. Provide for clearly defined goals supported by detailed task requirements and performance measures.

TPCN serves as the conduit to recruit and retain a network of contracted service providers throughout Texas that provide counseling, mentoring and other support for women facing an unexpected pregnancy. The services provided by the service providers are free of charge to qualifying women and men. This agreement was fully executed on September 2, 2009 for the period ending August 31, 2011.

DETAILED FINDINGS AND RECOMMENDATIONS

FINDING 2: ENSURE COMPLIANCE WITH TRAVEL POLICY AND PROCEDURES

In our sample of transactions tested, we found one transaction for reimbursement for a meal that occurred in the headquarters city for a TPCN employee for the amount of \$32.99. Page 20 of the HHSC Travel Policy and Procedures, Interim published in 2005 that provides guidance for eligible expenses for meals. Meal expenses are reimbursed if they are incurred on a day that the traveler conducts state business outside of his/her designated headquarters with overnight lodging. The meal in question occurred in the employee's headquarters city. See Appendix B.

We also noted that two TPCN employees were reimbursed for tips of \$8.70 related to meal expenses. The HHSC Travel Policy and Procedures, Interim published in 2005 does not allow reimbursement of tips.

HHSC Uniform Contract Terms and Conditions, Version 1.4.1, Article 5, contains Section 5.02 CONTACTOR Responsibility for compliance with laws and regulations. Subpart (a) states that "CONTRACTOR is responsible for compliance with all laws, regulations, and administrative rules that govern the performance of the Services including, but not limited to, all State and Federal tax laws, State and Federal employment laws, State and Federal regulatory requirements, and licensing provisions". This requirement is referenced in the TPCN contract in Section 2.06(a) (2) Agreement Documentation. As a result, Page 17 of the HHSC Travel Policy and Procedures provides guidance for "Unallowable Incidental Expenses which includes tips and gratuities. See Appendix C.

Recommendation:

Reimburse the disallowed headquarters meal expense of \$32.99 and meal-related tips of \$8.70 for a total of \$41.69 to the HHSC-CAS Services. TPCN should also inform its employees of the need to comply with the HHSC Travel Policy and Procedures when conducting travel for activities related to the HHSC contract.

Management Response:

TPCN agrees with the finding of \$2.70 of tips being disallowed, and regrets that this error was made. However, it is notable that this error is only 0.00003375% of the audited contract. The staff person who sought reimbursement for the tip is no longer with TPCN, but all remaining staff have been reminded of this policy.

TPCN disagrees with the remaining disallowed amount of \$38.99 for numerous reasons, including but not limited to the following:

*1. **Program Funds Not Used.** The \$38.99 of expenses was for non-program related expenses made from funds that were not received from HHSC. It was used to pay for a lunch with a TPCN representative to speak with a representative from another organization about potential partnering in future programs and initiatives.*

OIG's recommendation is a chilling overreach of governmental authority in that it wants to subject non-governmental funds to scrutiny and regulation. Just as OIG has no authority to dictate how its employees or TPCN's employees spend their paychecks, it does not have authority to regulate or dictate funds that are not received from government programs. These funds are not subject to audit by HHSC or OIG, and are not subject to HHSC's Travel Policy and Procedures.

*3. **Materiality.** The \$2.70 non-compliance issue is not even material to the contract. It is 0.00003375% of the audited contract. TPCN questions whether it was a waste of taxpayer dollars to spend 9 months to conduct an audit that turned up \$2.70 of noncompliance on an \$8 million contract.*

Auditor's Follow Up Comments:

TPCN provided documentation indicating the meal expense of \$32.99 and related tip expense of \$6.00 was charged to the corporate account and not to the state contract. However, OIG was unable to distinguish the source of the funds used to reimburse the staff person for the meal and related tip expenses.



****UPDATED RESPONSE TO PRELIMINARY FINDINGS****
--NOT INTENDED FOR PUBLIC RELEASE--

March 27, 2012

HHSC Office of Inspector General
Attn: Bobby Lane
Compliance Audit/Mail Code 1343
PO Box 85200
Austin, TX 78708-5200

Via Email Only to Bobby.Lane@hhs.state.tx.us

**Re: Updated Response to Preliminary Findings Report - Office of Inspector General ("OIG")
Audit of Texas Pregnancy Care Network ("TPCN")**

Dear Bobby,

TPCN offers this response to the OIG's DRAFT findings dated March 8, 2013:

6101 W COURTYARD BLDG 2 SUITE 200 AUSTIN, TEXAS 78730
TEL: 512-637-7011 • FAX: 512-637-7012 • WWW.TEXASPREGNANCY.ORG

****UPDATED RESPONSE TO PRELIMINARY FINDINGS****
--NOT INTENDED FOR PUBLIC RELEASE--

****UPDATED RESPONSE TO PRELIMINARY FINDINGS****
--NOT INTENDED FOR PUBLIC RELEASE--

****UPDATED RESPONSE TO PRELIMINARY FINDINGS****
--NOT INTENDED FOR PUBLIC RELEASE--

RESPONSE TO FINDING 2: ENSURE COMPLIANCE WITH TRAVEL POLICY AND PROCEDURES

TPCN agrees with the finding of \$2.70 of tips being disallowed, and regrets that this error was made. However, it is notable that this error is only 0.00003375% of the audited contract. The staff person who sought reimbursement for the tip is no longer with TPCN, but all remaining staff have been reminded of this policy.

TPCN disagrees with the remaining disallowed amount of \$38.99 for numerous reasons, including but not limited to the following:

1. **Program Funds Not Used.** The \$38.99 of expenses was for non-program related expenses made from funds that were not received from HHSC. It was used to pay for a lunch with a TPCN representative to speak with a representative from another organization about potential partnering in future programs and initiatives.

OIG's recommendation is a chilling overreach of governmental authority in that it wants to subject non-governmental funds to scrutiny and regulation. Just as OIG has no authority to dictate how its employees or TPCN's employees spend their paychecks, it does not have authority to regulate or dictate funds that are not received from government programs. These funds are not subject to audit by HHSC or OIG, and are not subject to HHSC's Travel Policy and Procedures.

- 2.
3. **Materiality.** The \$2.70 non-compliance issue is not even material to the contract. It is 0.00003375% of the audited contract. TPCN questions whether it was a waste of taxpayer dollars to spend 9 months to conduct an audit that turned up \$2.70 of noncompliance on an \$8 million contract.